

## Crowdsourcing and crowdfunding in the cultural and creative sectors

The internet offers digital spaces that can connect creators and service or content providers with consumers, and with new work, business or financing possibilities. In the sphere of arts and culture, this offers new opportunities for fundraising for events and projects, and for developing collaborative projects among artists, sometimes with public participation.

### The concepts of crowdsourcing and crowdfunding

The idea of a 'crowd' contributing to a project via funding or creative input is not new. For example, [surrealist artists](#) used to create poems, stories or pictures jointly, each one adding a word or a picture to a sequence which, when put together, made up a single work of art. One of the first open calls for micro-donations was launched in 1884 to finance the pedestal of the Statue of Liberty, while in Barcelona individuals' charitable donations have supported the construction of [Gaudí's](#) Sagrada Familia since 1883.

More recent technologies allow internet platforms to connect artists with other creators or with the public with the goal of mutually creating, inspiring or sharing ideas; this is often referred to as 'crowdsourcing'. Internet platforms can also bring together those willing to provide funding for cultural or business initiatives with those who have ideas or projects but lack resources. This is called 'crowdfunding'. The 2008 crisis increased the latter's popularity as an [alternative to bank financing](#). Sometimes crowdsourcing is used as a general term covering both the human (knowledge and creativity) and funding elements.

### Crowdsourcing in the cultural and creative sectors

Crowdsourcing in the cultural and creative sectors (known also as the [creative and cultural industries \(CCIs\)](#), which range from performing and visual arts to video games and ads) can involve making contributions to creative projects or outsourcing micro-tasks linked to a project such as a new workflow or business model. For example, many open contests for logos or for interior and fashion [design](#) are presented to potential clients via dedicated internet platforms. Their organisers get plenty of contributions, take no risks and pay competitive prices or even get inspiration for free. Creators benefit less, as only a few of the best are paid for.

Crowdsourcing in [cultural heritage](#) involves public participation in collecting, describing, categorising or curating photographs or manuscripts, as an expression of democratic participation and engagement in heritage, or an attempt to complete professional expertise with the knowledge of the public at large. It takes the form of working on a project for free or performing micro-tasks for a small amount of money.

### Crowdfunding in the cultural and creative sectors

Traditionally, cultural and artistic projects have been financed by wealthy individuals, enterprises or the public purse. Crowdfunding is an attractive alternative: anybody can contribute small amounts to a chosen project, and the project's sponsors have less leverage on it. This can be a time-saving and procedurally simpler way of getting [funding for CCIs](#).

Crowdfunding has a simple, open call mechanism. An internet platform publishes a business or artistic project to be financed, giving its description, financial objective, contribution cap, and deadline. Platform owners can charge a [commission](#) ranging from 2% to 25% of the collected sum, with a European average of 7% (4-5% specifically for CCIs). Funding can be donation-based (with no financial reward), reward-based (T-shirts, autographed CDs), lending-based (with or without interest) or equity-based ([least popular](#) in CCIs). Cost-sharing with financial contributors or fans lessens the risks for the creators. Project promotion is done via social media, the platform and those contributors who spread the word.



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Cultural and artistic projects can be crowdfunded [ex post](#), where contributors commit to provide a certain sum if and when the project is completed. *Ex-ante* financing, available upfront, enables creators to speed up their project's progress to distribution and promotion. The [earliest platforms](#) were set up in 2005, mainly to finance cultural projects. Currently, many platforms fund creative ideas, mostly in the form of music projects, song albums, fashion and design, video games, dance performances, animation projects, films or the work of journalists who offer to cover topics overlooked by mainstream media.

### Potential risks and benefits: legal and financial issues

Crowdfunding can entail legal uncertainty due to the lack of agreed definitions of the phenomenon, its complexity, financial and fee issues, the variety of national regulations concerned and the internet-linked risk of hacking. Conflicts over copyright may also emerge when creators, working in the context of a shared economy, disclose their ideas at an early stage of their work.

Regulators could consider *ex-ante* crowdfunding as gambling, where supporters of artistic projects are betting on the success of a given product. Even aside from such legal considerations, crowdfunding entails financial risks for contributors. Some platforms try CCI profit-sharing (equity) projects. This form of CCI crowdfunding is rare since in general the [risk](#) of not achieving the goal is high. The creator-donor [distance](#) is another danger. It can [disconnect](#) creators from stable funding as the choice is made on an individual project basis, typical for the arts. This is not true where [family and friends](#) contribute to a start-up or where creator-donor ties are more permanent and are based on personal relationships (as in traditional sponsoring).

The issue is complex at EU level too: a range of legislative acts can be relevant, including the [Anti-money Laundering](#), [Payment Services](#), [Unfair Commercial Practices](#), [Electronic Commerce](#) and [Copyright](#) Directives, and the [Capital Requirements](#) and [Intellectual Property](#) Regulations. The [European Crowdfunding Network](#) promotes crowdfunding and assists European Commission actions in this area. Its 2014 [study](#) on relevant national regulations pointed to legal fragmentation which leads to additional costs and legal problems.

However, crowdfunding is also an opportunity for young or new creators to develop and put in place projects that would otherwise lack resources. Thanks to the funds received from interested individuals or fans, they can attain a higher level of career development and popularity, and perhaps establish a professional career. The financial risks are shared with the fans, who are often motivated by non-financial rewards, the possibility of getting insider knowledge, or the sense of belonging and involvement.

Crowdfunding gives financial contributors the feeling of having an impact on the cultural products on the market and of participating democratically instead of just consuming. It is also expected to potentially diminish the risks of pirating, a major contributor to the [difficulties](#) faced by the music and film industries due to copyright issues resulting from digital distribution. People providing support to a musician or a filmmaker become aware of the copyright and pirating issues these authors face.

Crowdsourcing in artistic projects enriches the outcome through contributions by various artists that inspire each other and bring their creation to initially unforeseeable results. Crowdsourcing as voluntary public participation in the description of photographs, manuscripts or documents, which could be difficult for an individual scientist to do, is a priceless contribution to shared history and culture.

The ownership of a shared creation could be of concern in crowdsourcing. The EU-funded [InGRID project](#), in research on inclusive growth and working conditions in non-traditional labour markets, highlights [concerns](#) including workforce fragmentation and work division into badly paid micro-tasks (for example in cultural heritage projects) performed all over the world, which could lead to blurred borders between work and leisure in the sharing economy, and a workforce with low salaries and no social benefits.

In September 2013, the EP adopted a [resolution](#) on promoting the European cultural and creative sectors and stressed the potential of crowdfunding (including crowd investment) for the growth of CCI enterprises.

The Commission organised a [public consultation](#) with stakeholders, published a [communication](#) and [guide](#) on crowdfunding in March 2014, made a study on an [EU crowdfunding market](#) in November 2015, as well as a [pilot project](#) on crowdfunding for the cultural and creative sectors. This new financing model deserves scientific insight, economic measurement and legal definitions. To stay in public control, crowdfunding needs to be examined from an economic angle in terms of its capacity to ensure fair distribution of benefits or to be a sustainable model for funding culture. Such insight has been provided by the [European Crowdfunding Stakeholder Forum](#) expert group. Concerning crowdsourcing, InGRID researchers believe that its functioning and outcomes, as well as the risk of professional labour being replaced by volunteer amateurs, need to be studied before any legal discussions start.